

# **Tobin & Co.**

Marilla Township

Manistee County, Michigan

Audit Report

For the Year Ended June 30, 2004

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>Marilla Township</b>	County <b>Manistee</b>
Audit Date <b>6/30/04</b>	Opinion Date <b>12/22/04</b>	Date Accountant Report Submitted to State: <b>12/30/04</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGR).			X

**TOBIN & CO., P.C.**

**400 E. EIGHTH ST.**

**TRAVERSE CITY, MI 49686-2668**

**231-947-0151**

Certified Public Accountant (Firm Name)		City	State	ZIP
Street Address				
Accountant Signature <i>David T. Tobin</i>		Date <b>12-30-04</b>		

# Tobin & Co.

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INTRODUCTORY SECTION

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## Comments and Recommendations

We have audited the basic financial statements and the individual fund financial statements of Marilla Township, Manistee County, for the year ended June 30, 2004 and have issued our report thereon. As part of our examination, we made a study and evaluation of the Township's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the Township's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

Our study and evaluation made for the limited purpose described above would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal control of Marilla Township taken as a whole. As a result of our examination, we respectfully submit the following comments and recommendations.

### General

The accounting records were maintained in good order by your present Clerk and Treasurer. Supporting documents and follow-up procedures appeared to be adequate. Board minutes were generally in good order. The efforts of these officials for 2003-2004 are commendable.

### Budgets and Procedures

We noted five violations of Act 621 of 1978, (Uniform Budgeting Act). The Township prepared and adopted the required budget for its General Fund, but five cost centers exceeded their expenditure budgets.

### General Fund

The General Fund is presented on Schedule 1 of this report. The fund balance increased by \$14,163 for the audit year to a total of \$112,043 at June 30, 2004.

### Perpetual Care Fund

This fund was established to account for monies earmarked for the perpetual care of cemetery lots. The fund balance at June 30, 2004 was \$3,113 of which \$2,605 is restricted contributions.

### Agency Funds

These funds are presented in Schedule 2.

### Current Tax Collections

Property taxes collected were distributed to taxing units prior to the end of the fiscal year, and distributions were in accordance with statutory requirements. This function was handled in an excellent manner by the Treasurer. It appears that all personal property taxes were collected prior to settlement with the County Treasurer. Schedule 3 reflects the amount levied, collected and returned delinquent for the 2003 property tax levy.

### Property Tax Administration Fees

As permitted by statute, the Township levied a 1% administration fee on all 2003 property taxes. These fees may be used only for such property tax administration costs as assessing, collecting, and the review and appeal process. As noted on Schedule 4, costs for the audit year exceeded fees collected by \$7,751, so the Township was in compliance with statutory requirements.

### Insurance and Surety Bond Coverage

Records indicate that the Township is insured through Auto Owners and has such coverage as fire and extended coverage, general liability, errors and omissions, equipment, crime and workmen's compensation coverage. This coverage should be reviewed annually. The Clerk and Treasurer are covered by surety bonds.

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## Comments and Recommendations

### Payroll Procedures

Payroll records proved adequate and were properly maintained. Our tests disclosed that required reports are being filed in a timely manner by the Clerk.

### Other Data

After completion of our audit, we will mail the necessary copies of our report to the State Department of Treasury.

We again commend the Clerk and Treasurer for the condition of the Township accounting records. We also appreciate the courtesy extended our field examiner in the conduct of this audit.

Your confidence is respected. Please contact us if questions arise or assistance is needed.

FINANCIAL SECTION

# Tobin & Co.

## REPORT OF INDEPENDENT AUDITOR

To the Township Board  
Marilla Township  
Manistee County  
Manistee, Michigan 49646

We have audited the basic financial statements of Marilla Township as of and for the year ended June 30, 2004, as listed in the Table of Contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly in all material respects, the financial position of such funds of Marilla Township at June 30, 2004, and the results of operations in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis are not a required part of the basic financial statements, but are supplementary information required by the GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Table of Contents are presented for the purposes of additional analysis and are not a required part of the basic financial statements of Marilla Township. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.



TOBIN & CO., P.C.  
Certified Public Accountants  
December 22, 2004



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## Marilla Township Management Discussion and Analysis Letter

As the Township Board of Marilla Township, we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of Marilla Township for the fiscal year ended June 30, 2004.

### Financial Highlights

- The fixed assets of Marilla Township remained virtually unchanged as a result of this year's operations.
- As of the close of the current fiscal year, Marilla Township's governmental funds reported combined ending fund balances of \$176,633, an increase of \$17,278 in comparison with the prior year. Approximately 60% is available for spending at the Township's discretion.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$109,636, or 197% of the total general fund expenditures.

### Overview of Financial Statements

This discussion and analysis are intended to serve as an introduction to Marilla Township's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information, in addition to the basic financial statements themselves.

### Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The **statement of net assets** presents information on all of the Township's assets and liabilities, with the difference between the two reported as **net assets**. Over time, increases or decreases in net assets may serve as a useful indicator of whether the Township's financial position is improving or deteriorating.

The **statement of activities** presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes).

Both the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

### Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Marilla Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories: governmental funds and fiduciary funds.

**Governmental funds** are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Township adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

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**Fiduciary funds** are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support Marilla Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**Notes to the financial statements** provide additional information that is essential to a full understanding of the data provided in the government wide and fund financial statements.

## **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Marilla Township, assets exceeded liabilities by \$176,633 at the close of the most recent fiscal year.

An additional portion of the Township's net assets (4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$110,144) may be used to meet the Township's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Township is able to report positive balances in all categories of net assets, both for the government as a whole, as well as for its separate governmental activities. The same situation held true for the prior fiscal year.

The Township's net assets increased by \$17,278 during the current fiscal year as discussed below.

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

## **Financial Analysis of the Township's Funds**

As noted earlier, the Township used fund accounting to ensure and demonstrate compliance with finance related legal requirements.

### **Governmental Funds**

The focus of the Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a Township's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the Township. At the end of the current fiscal year, unreserved fund balance of the general fund and the total fund balances was \$112,043. Unreserved fund balance represents 197% of the total general fund expenditures.

The fund balance of the Township's general fund increased by \$14,163 during the current fiscal year.

### **General Fund Budgetary Highlights**

Marilla Township operated with a balanced budget throughout the fiscal year.

### **Capital Asset and Debt Administration**

**Capital Assets.** The Township's investment in capital assets for its governmental activities as of June 30, 2004 amounts to \$61,477 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, park facilities, etc.

Details of the Township's capital assets are continued in the notes to the financial statements.

### **Long-term Debt**

Marilla Township has no existing long-term debt.

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## **Economic Factors and Next Year's Budgets and Rates**

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means further reductions in state-shared revenues. State-shared revenues are expected to decrease in the 2004-2005 fiscal year. The Township budgeted for a decrease in state-shared revenue, but additional cuts have already been made and more cuts are expected before the end of the fiscal year. The Township's Millage rate was reinstated to the original amount, but will be reduced again by the Headlee Amendment rollback for general operating purposes. These factors were considered in preparing the Township's budget.

During the current fiscal year, unreserved fund balance in the general fund increased to \$109,636. The Township has presented a balanced budget in this fiscal year, as there was no unreserved fund balance to appropriate.

## **Requests for Information**

This financial report is designed to provide a general overview of Marilla Township's finances for all those with an interest in the Township's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Supervisor of Marilla Township, Holly L. Waldo, 8054 Marilla Rd., Copemish, Michigan or to Marilla Township's Treasurer, Patricia Ellis, 12710 Marilla Rd., Copemish, Michigan.

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## Marilla Township Statement of Net Assets June 30, 2004

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u> <u>And Total</u>
Assets	
Cash	
Capital Assets	<u>\$ 115,156</u>
Land	
Other Capital Assets, Net of Depreciation	<u>6,475</u>
Total Capital Assets	<u>55,002</u>
Total Assets	<u>61,477</u>
Liabilities	
Total Liabilities	<u>-</u>
Net Assets	
Invested in Capital Assets	
Restricted for:	<u>61,477</u>
Cemetery Perpetual Care	
Highway Improvements	<u>2,605</u>
Building Improvements	<u>907</u>
Unrestricted	<u>1,500</u>
Total Net Assets	<u>110,144</u>
	<u>\$ 176,633</u>

See Accompanying Notes to Basic Financial Statements

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## Marilla Township Statement of Activities For the Year Ended June 30, 2004

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>			<u>Total</u>
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental Activities:					
Legislative	\$ 9,736	\$ -	\$ -	\$ -	\$ (9,736)
General Government	30,998	6,232	7,000	100	(17,666)
Public Safety	10,083	-	-	-	(10,083)
Public Works	987	-	1,894	-	907
Parks and Recreation	892	-	-	-	(892)
Total Governmental Activities	<u>\$ 52,696</u>	<u>\$ 6,232</u>	<u>\$ 8,894</u>	<u>\$ 100</u>	<u>(37,470)</u>
General Revenues:					
Property Taxes					28,968
State Shared Revenues					24,890
Unrestricted Investment Earnings					815
Miscellaneous					75
Total General Revenues					<u>54,748</u>
Change in Net Assets					17,278
Net Assets - Beginning					<u>159,355</u>
Net Assets - Ending					<u>\$ 176,633</u>

See Accompanying Notes to Basic Financial Statements

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Marilla Township  
Balance Sheet  
Governmental Funds  
June 30, 2004

	<u>General</u>	<u>Cemetery Perpetual Care Fund</u>	<u>Total</u>
Assets			
Cash in Bank	\$ 112,043	\$ 3,113	\$ 115,156
Total Assets	<u>\$ 112,043</u>	<u>\$ 3,113</u>	<u>\$ 115,156</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable	\$ -	\$ -	\$ -
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:			
Restricted	2,407	2,605	5,012
Unrestricted	<u>109,636</u>	<u>508</u>	<u>110,144</u>
Total Fund Balances	<u>112,043</u>	<u>3,113</u>	115,156
Total Liabilities and Fund Balances	<u>\$ 112,043</u>	<u>\$ 3,113</u>	
Amounts reported for governmental activities on the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			<u>61,477</u>
Net assets of governmental activities.			<u>\$ 176,633</u>

See Accompanying Notes to Basic Financial Statements

# Tobin & Co.

Marilla Township  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2004

	<u>General</u>	<u>Cemetery Perpetual Care Fund</u>	<u>Total</u>
Revenues			
Taxes			
Licenses and Permits	\$ 28,968	\$ -	\$ 28,968
State Grants	626	-	626
Contributions from Local Units	26,784	-	26,784
Charges for Services	7,000	-	7,000
Interest and Rents	2,356	-	2,356
Other	4,004	61	4,065
	<u>75</u>	<u>100</u>	<u>175</u>
Total	<u>69,813</u>	<u>161</u>	<u>69,974</u>
Expenditures			
Legislative			
General Government	9,736	-	9,736
Public Safety	29,261	-	29,261
Public Works	10,083	-	10,083
Parks and Recreation	987	-	987
Capital Outlay	235	-	235
	<u>5,348</u>	<u>-</u>	<u>5,348</u>
Total	<u>55,650</u>	<u>-</u>	<u>55,650</u>
Excess Revenues (Expenditures) and Net Change in Fund Balances	14,163	161	14,324
Fund Balance – Beginning of Year	<u>97,880</u>	<u>2,952</u>	
Fund Balance – End of Year	<u>\$ 112,043</u>	<u>\$ 3,113</u>	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year.			<u>2,954</u>
Change in Net Assets of Governmental Activities.			<u>\$ 17,278</u>

See Accompanying Notes to Basic Financial Statements

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## Marilla Township Statement of Fiduciary Net Assets June 30, 2004

Assets	Agency Funds
Cash	
Total Assets	<u>\$ 2,989</u>
	<u>2,989</u>
Liabilities	
Escrow Deposits	
Total Liabilities	<u>2,989</u>
Net Assets	<u>2,989</u>
	<u>\$ -</u>

See Accompanying Notes to Basic Financial Statements



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## Marilla Township Notes to Financial Statements June 30, 2004

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting Entity

Marilla Township is a general law township located in Manistee County. Population as of the 2000 census was 362, the current state equalized valuation for taxable property is \$17,048,550, and the current taxable valuation is \$10,422,624.

The Township's basic financial statements include the accounts of all Township operations. The criteria for including organizations within the Township's reporting entity, as set forth in GASB No. 14, "*The Financial Reporting Entity*" includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if data were not included.

Based on the above criteria, there are no other organizations included in these financial statements.

#### B. Basis of Presentation

The government-wide financial statements (the statement of net assets and the statement of changes in net assets) report information on all of the activities of the Township. The effect of interfund activity, within the governmental activities column, has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

#### Fund Financial Statements:

The Township segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The Township has presented the following governmental funds:

General Fund – This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the Township. Revenues are derived primarily from property taxes, state distributions or grants, and other intergovernmental revenues.

Perpetual Care Fund (Permanent Fund) – This fund is used to account for revenues that are legally restricted to the extent that only earnings, and not principal, may be used to support operations of the Township's cemetery.

#### Fiduciary Funds

These funds are used to account for assets held in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds.

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## Marilla Township Notes to Financial Statements June 30, 2004

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### C. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund and agency fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Township considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The revenue susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income and intergovernmental revenues. All other governmental fund revenues are recognized when received.

#### D. Budgets

The General Fund is under formal budgetary control. Budgets shown in the required supplementary schedules for this fund were prepared on a basis not significantly different from the modified accrual basis used to reflect actual results and consist only of those amounts contained in the formal budget approved and amended by the Township.

In the body of the financial statements and the required supplementary schedules, the Township's actual and budgeted expenditures for the budgetary fund has been shown on a functional basis. The approved budgets for this fund were adopted to the activity or cost center level.

For budgetary purposes appropriations lapse at fiscal year end.

#### E. Capital Assets

Capital assets, which includes property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest is capitalized during the construction period on property, plant and equipment.

Assets capitalized have an original cost of \$1,000 or more and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Land Improvements	20 years
Buildings	40 years
Building Improvements	20 - 25 years
Equipment	5 years

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## Marilla Township Notes to Financial Statements June 30, 2004

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### F. Property Tax Procedures and Collections

Properties are assessed as of December 31 and the related property taxes become a lien the following July 1 and/or December 1. Real property taxes are collected by the Township Treasurer through February 28 of each year. As of March 1, uncollected real property taxes are returned delinquent to, and collected by, the County Treasurer. Personal property taxes remain the responsibility of the Township Treasurer to collect. It is the policy of the Township to record the real property taxes in the year of levy.

During the collection period prior to March 1, the Township Treasurer makes distribution of the property tax collections to the various taxing units (County, School District, etc.) as required by statute.

For the fiscal year the Township levied property taxes as follows:

	<u>SEV</u>	<u>Taxable Value</u>	<u>Millage Rate</u>
General Operating	\$ 17,048,550	\$ 10,422,624	2.3158

#### G. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

- A. We noted no violations of legal provisions and/or contractual provisions of various agreements related to financial matters.
- B. All funds had positive fund balances at June 30, 2004.
- C. Public Act 621 of 1978, Section 18, provides that a local unit shall not incur expenditures in excess of the amount appropriated. For the year ended June 30, 2004, the following five activities or cost centers in the General Fund overexpended their budgets without prior amendment.

General Fund:	
Township Supervisor	\$ 28
Elections	\$ 177
Assessor	\$ 340
Cemetery	\$ 171
Capital Outlay	\$ 5,148

### NOTE 3 - DEPOSITS WITH FINANCIAL INSTITUTIONS

#### A. Legal Provisions for Deposits and Investments

Act 20, Public Acts of 1943, as amended by Act 217, Public Acts of 1982, and Act 196, Public Acts of 1997, states that the Township, by resolution, may authorize the Treasurer to invest surplus funds as follows:

- (1) In bonds and other direct obligations of the United States or an agency or instrumentality of the United States.
- (2) In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union complies with subsection (2).

# Tobin & Co.

## Marilla Township Notes to Financial Statements June 30, 2004

### NOTE 3 - DEPOSITS WITH FINANCIAL INSTITUTIONS (Continued)

#### A. Legal Provisions for Deposits and Investments (Continued)

- (3) In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and which matures not more than 270 days after date of purchase.
- (4) Repurchase agreements consisting of instruments defined in (1) above.
- (5) In bankers' acceptances of United States Banks.
- (6) Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- (7) In mutual funds registered under the investment company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by local units of government in Michigan.

#### B. Types of Deposits and Investments

The Township had \$120,483 deposited with a local financial institution at June 30, 2004 with a carrying value of \$118,145. Interpreting the FDIC insurance coverage of \$100,000 of demand deposits and \$100,000 of time deposits per financial institution, the Township had \$2,876 of uninsured deposits at June 30, 2004.

### NOTE 4 - CAPITAL ASSETS

Capital assets of governmental activities consisted of the following at June 30,

	<u>6/30/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>6/30/04</u>
Land and Improvements	\$ 8,513	\$ 5,348	\$ -	\$ 13,861
Buildings and Improvements	65,121	-	-	65,121
Equipment	<u>7,140</u>	<u>-</u>	<u>-</u>	<u>7,140</u>
	80,774	5,348	-	86,122
Less Accumulated Depreciation	<u>(22,251)</u>	<u>(2,394)</u>	<u>-</u>	<u>(24,645)</u>
	<u>\$ 58,523</u>	<u>\$ 2,954</u>	<u>\$ -</u>	<u>\$ 61,477</u>

### NOTE 5 - LONG-TERM DEBT

The Township has no long-term debt and no such borrowing is anticipated in the near future.

### NOTE 6 - INVENTORIES

Marilla Township does not maintain a substantial inventory of supplies or materials. Purchases are normally made as needed, and the items are recorded as expenses when purchased.

### NOTE 7 - PENSION PLAN

The Township does not participate in a pension plan for its officials and employees. The Township does provide Social Security coverage for its officials and employees.

### NOTE 8 - CONTINGENT LIABILITIES

Township officials are aware of no contingent liabilities at June 30, 2004.

# **Tobin & Co.**

Marilla Township  
Notes to Financial Statements  
June 30, 2004

NOTE 9 - PROPERTY TAX ADMINISTRATION FEES

The Township levied the 1% administration fee permitted by statute on all 2003 property taxes. This fee may be used only to offset such property tax administration expenses as assessing, collecting, and the review and appeal process. For the audit year, costs exceeded collections by \$7,751. Records reflect accumulated costs over collections of \$55,605. See Schedule 4.

NOTE 10- RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the audit year the Township addressed these risks through the purchase of commercial insurance through Municipal Underwriters of Michigan. There was no significant reduction of insurance coverage from prior years nor have the amounts of any settlements exceeded insurance coverage in any of the past three fiscal years.

NOTE 11- COMPENSATED ABSENCES

The Township does not provide for payment to employees for unused sick leave, accumulated leave, etc.

SUPPLEMENTAL DATA SECTION

# Tobin & Co.

Marilla Township  
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
General Fund  
For the Year Ended June 30, 2004

Schedule 1  
Page 1

<u>Revenues</u>	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Taxes:			
Current Taxes	\$ 24,000	\$ 21,753	\$ (2,247)
Delinquent Taxes	1,500	2,435	935
Swamp Tax	1,000	1,002	2
Commercial and National Forest	100	78	(22)
Penalties and Interest on Taxes	1,500	306	(1,194)
Property Tax Administration Fees	1,000	3,394	2,394
Licenses and Permits:			
Permits			
Dog Licenses	500	615	115
State Grants:	10	11	1
State Shared Revenues			
Metro Act	29,000	24,890	(4,110)
Contributions from Local Units:	500	1,894	1,394
County Grants			
Charges for Services:	1,500	7,000	5,500
Summer Tax Collection			
Cemetery and Other	1,157	1,162	5
Interest and Rents:	1,360	1,194	(166)
Interest			
Rents and Royalties	500	754	254
Other:	2,600	3,250	650
Donations			
	<u>100</u>	<u>75</u>	<u>(25)</u>
Total Revenues	<u>66,327</u>	<u>69,813</u>	<u>3,486</u>
<u>Expenditures</u>			
Legislative:			
Township Board:			
Salaries and Wages	-	1,875	-
Employee Benefits	-	1,356	-
Supplies	-	354	-
Postage	-	437	-
Computer Services	-	2,910	-
Dues and Memberships	-	238	-
Transportation and Travel	-	7	-
Insurance	-	2,477	-
Other	-	82	-
Total	<u>14,375</u>	<u>9,736</u>	<u>4,639</u>
Total Legislative	<u>14,375</u>	<u>9,736</u>	<u>4,639</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

# Tobin & Co.

Marilla Township  
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
General Fund  
For the Year Ended June 30, 2004

Schedule I  
Page 2

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Expenditures (Continued)</u>			
General Government:			
Township Supervisor:			
Salaries and Wages	-	3,725	-
Transportation and Travel	-	18	-
Education and Training	-	10	-
Total	<u>3,725</u>	<u>3,753</u>	<u>(28)</u>
Elections:			
Supplies	-	35	-
Professional Services	-	67	-
Education and Training	-	75	-
Total	-	<u>177</u>	<u>(177)</u>
Assessor:			
Supplies	-	390	-
Contractual Services	-	4,580	-
Printing and Publishing	-	2,027	-
Total	<u>6,657</u>	<u>6,997</u>	<u>(340)</u>
Clerk:			
Salaries and Wages	-	4,693	-
Supplies	-	113	-
Transportation and Travel	-	90	-
Education and Training	-	70	-
Total	<u>4,996</u>	<u>4,966</u>	<u>30</u>
Board of Review:			
Salaries and Wages	-	465	-
Printing and Publishing	-	92	-
Total	<u>1,085</u>	<u>557</u>	<u>528</u>
Treasurer:			
Salaries and Wages	-	4,668	-
Transportation and Travel	-	148	-
Education and Training	-	70	-
Total	<u>5,048</u>	<u>4,886</u>	<u>162</u>

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# Tobin & Co.

Marilla Township  
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
General Fund  
For the Year Ended June 30, 2004

Schedule 1  
Page 3

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
<u>Expenditures (Continued)</u>			
General Government (Continued):			
Township Hall and Grounds:			
Supplies	-	133	-
Contractual Services	-	1,736	-
Telephone	-	362	-
Public Utilities	-	3,348	-
Total	<u>6,300</u>	<u>5,579</u>	<u>721</u>
Cemetery:			
Salaries and Wages	-	305	-
Supplies	-	44	-
Public Utilities	-	236	-
Maintenance and Repairs	-	1,410	-
Other	-	351	-
Total	<u>2,175</u>	<u>2,346</u>	<u>(171)</u>
Total General Government	<u>29,986</u>	<u>29,261</u>	<u>725</u>
Public Safety:			
Fire Protection:			
Contractual Services	-	8,000	-
Total	<u>8,000</u>	<u>8,000</u>	<u>-</u>
Planning and Zoning:			
Salaries and Wages	-	1,990	-
Supplies	-	81	-
Transportation and Travel	-	12	-
Total	<u>3,370</u>	<u>2,083</u>	<u>1,287</u>
Total Public Safety	<u>11,370</u>	<u>10,083</u>	<u>1,287</u>
Public Works:			
Trash Disposal Service	-	987	-
Total Public Works	<u>4,000</u>	<u>987</u>	<u>3,013</u>
Parks and Recreation:			
Contractual Services	-	150	-
Public Utilities	-	85	-
Total Parks and Recreation	<u>520</u>	<u>235</u>	<u>285</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

# Tobin & Co.

Marilla Township  
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
General Fund  
For the Year Ended June 30, 2004

Schedule I  
Page 4

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
<u>Expenditures (Continued)</u>			
Capital Outlay	<u>200</u>	<u>5,348</u>	<u>(5,148)</u>
Total Expenditures	<u>60,451</u>	<u>55,650</u>	<u>4,801</u>
Excess Revenues (Expenditures)	<u>\$ 5,876</u>	14,163	<u>\$ 8,287</u>
Fund Balance – Beginning of Year		<u>97,880</u>	
Fund Balance – End of Year		<u>\$ 112,043</u>	

The Notes to the Basic Financial Statements are an integral part of this statement.

# Tobin & Co.

Marilla Township  
Combining Statement of Changes in Assets and Liabilities  
All Agency Funds  
For the Year Ended June 30, 2004

Schedule 2

	Balance 6/30/03	Trust and Agency Fund		Balance 6/30/04
		Additions	Deductions	
<u>Assets</u>				
Cash	\$ 2,923	\$ 66	\$ -	\$ 2,989
Total Assets	\$ 2,923	\$ 66	\$ -	\$ 2,989
<u>Liabilities</u>				
Undistributed Taxes and Interest Escrow Deposits	\$ - 2,923	\$ - 66	\$ - -	\$ - 2,989
Total Liabilities	\$ 2,923	\$ 66	\$ -	\$ 2,989
	Balance 6/30/03	Current Tax Collection Fund		Balance 6/30/04
		Additions	Deductions	
<u>Assets</u>				
Cash	\$ -	\$ 312,414	\$ 312,414	\$ -
Total Assets	\$ -	\$ 312,414	\$ 312,414	\$ -
<u>Liabilities</u>				
Undistributed Taxes and Interest Escrow Deposits	\$ - -	\$ 312,414 -	\$ 312,414 -	\$ - -
Total Liabilities	\$ -	\$ 312,414	\$ 312,414	\$ -
	Balance 6/30/03	Total		Balance 6/30/04
		Additions	Deductions	
<u>Assets</u>				
Cash	\$ 2,923	\$ 312,480	\$ 312,414	\$ 2,989
Total Assets	\$ 2,923	\$ 312,480	\$ 312,414	\$ 2,989
<u>Liabilities</u>				
Undistributed Taxes and Interest Escrow Deposits	\$ - 2,923	\$ 312,414 66	\$ 312,414 -	\$ - 2,989
Total Liabilities	\$ 2,923	\$ 312,480	\$ 312,414	\$ 2,989

The Notes to the Basic Financial Statements are an integral part of this statement.

# Tobin & Co.

Marilla Township  
2003 Property Tax Levy and Collections  
For the Year Ended June 30, 2004

Schedule 3

	<u>Millage Rate</u>	<u>Adjusted Levy</u>	<u>Collected</u>	<u>Returned Delinquent</u>
County	5.1303	\$ 53,469	\$ 48,128	\$ 5,341
County Jail Tax	0.1350	1,405	1,265	140
County Medical Care Facility Tax	0.4888	5,092	4,583	509
County 911 Tax	0.9895	10,311	9,281	1,030
County Agency on Aging Tax	0.2929	3,051	2,746	305
County Transit Tax	0.3265	3,401	3,061	340
County Library Tax	0.9895	10,311	9,281	1,030
State Education Tax	5.0000	52,000	49,495	2,505
School District Tax:				
Kaleva (Norman Dickson)	21.7202	51,952	44,099	7,853
Benzie	19.7300	506	506	-
Mesick	23.0000	64,626	60,913	3,713
Intermediate School District Tax:				
Manistee	2.1296	9,822	8,381	1,441
Traverse Bay Area	2.9929	326	326	-
Wexford - Missaukee	6.0030	34,207	32,021	2,186
Community College Tax	3.1540	14,547	12,412	2,135
Township Taxes:				
- General	2.3158	24,132	21,721	2,411
- Administration Fee		3,391	3,082	309
Other Taxes on Roll:				
- Commercial Forest		387	343	44
Total		<u>\$ 342,936</u>	<u>\$ 311,644</u>	<u>\$ 31,292</u>
Percent of Levy Collected	90.88%			

The Notes to the Basic Financial Statements are an integral part of this statement.

# Tobin & Co.

Marilla Township  
Statement of Revenues, Expenditures and Balance  
Property Tax Administration Fee  
For the Year Ended June 30, 2004

Schedule 4

Revenues

Property Tax Administration Fees \$ 3.394

Total Revenues 3.394

Expenditures

Assessor 6,997

Board of Review 557

Treasurer – 60% of Salary 2,801

Postage and Supplies 390

Use of Building, Insurance and Utilities 400

Total 11,145

Excess Revenues (Expenditures) (7,751)

Excess Revenues (Expenditures) – Prior Years (47,854)

Accumulated Excess Revenues (Expenditures) (1) \$ (55,605)

(1) Does not include 1992-93

The Notes to the Financial Statements are an integral part of this statement.